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SECRET

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Central Intelligence Bulletin

CONTENTS

Vietnam: Situation report. (Page 1)

Communist China: Signs of instability and violence are again increasing. (Page 3)

Communist China - Hong Kong: Seizure of Hong Kong fishermen may increase tension. (Page 5)

25X1

Poland: The regime is concerned over the impact abroad of its internal party struggle. (Page 8)

Central America: Nicaragua threatens to break up Central American Common Market. (Page 9)

25X1

Argentina: Demonstrations (Page 10)

SECRET

SECRET

[Vietnam:

South Vietnam: Communist-initiated military activity appears to be at its lowest level so far this year.

Most recent ground actions have developed as a result of stepped-up allied operations designed to keep Communist forces off balance. There is no evidence at this time that the lull in enemy activity is a deliberate Communist tactic designed to facilitate the Paris talks. As in earlier periods of reduced military activity, Communist forces appear to be engaged in preparations for new offensive operations. The available evidence also suggests that the current lull has been induced primarily by vigorous allied countermeasures.

There are further signs that Communist plans for another round of attacks on Saigon have been delayed. A Viet Cong rallier who defected near Saigon on 26 June said during preliminary interrogations that the so-called "second general offensive" against the capital was to have begun on 28 June but had been delayed for unspecified reasons. This information is in line with other recent reports, including a captured document, suggesting such an effort would be put off until as late as August.

North Vietnam: Hanoi has taken pains to counter recent reports of problems in its relations with Communist China. An editorial in the party press on 1 July commemorates the founding of the Chinese Communist Party with lavish praise for the "intimate" and "lasting" ties between the two countries. Despite North Vietnam's well-documented distaste for the Cultural Revolution, the editorial wishes Peking well in this endeavor and pays a special tribute to Chairman Mao. The editorial seems to be a special effort to keep up a public appearance of Sino - North Vietnamese solidarity despite the damage that may have been done to relations in the past few months.

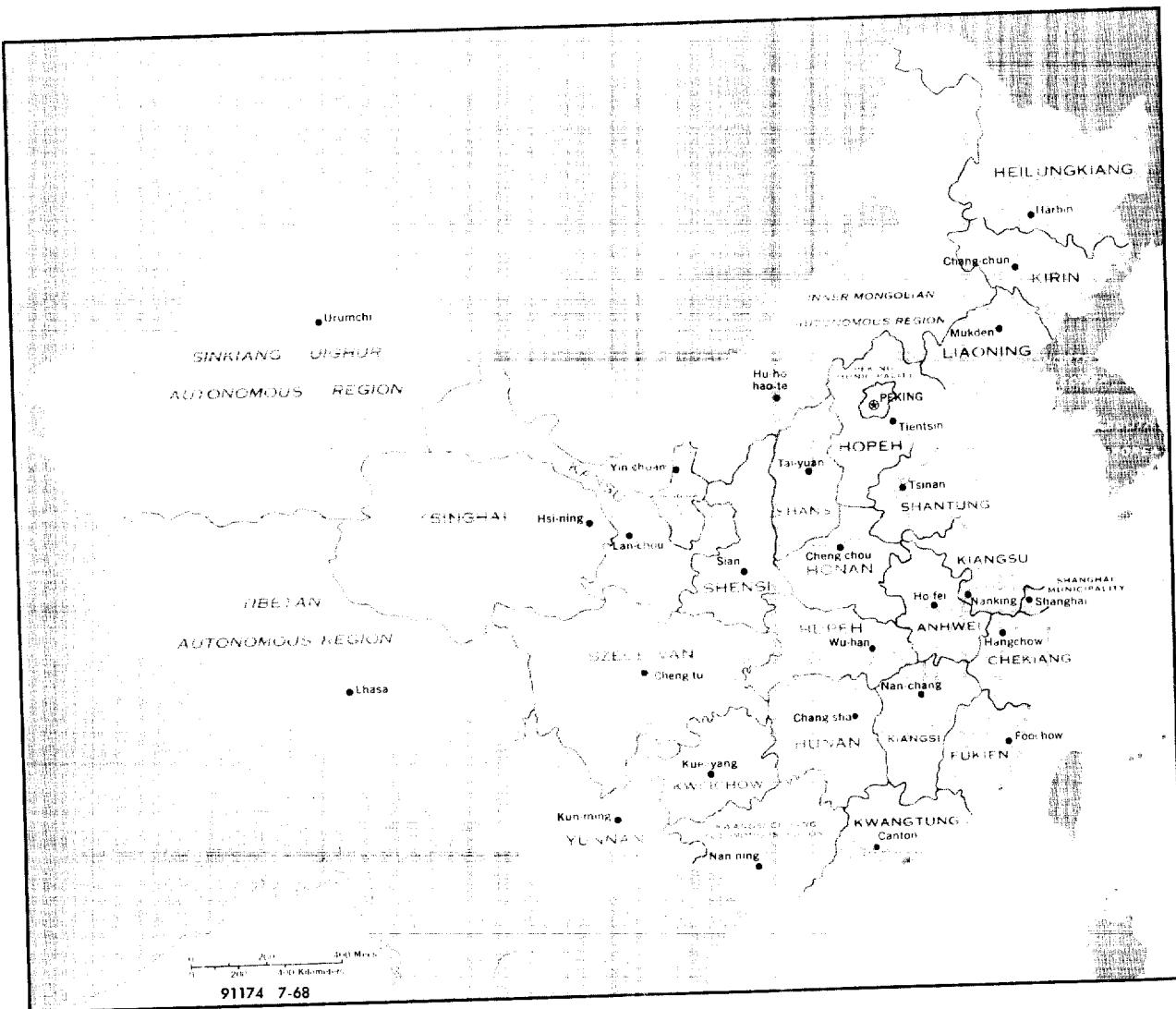
25X1

2 Jul 68

Central Intelligence Bulletin

1

SECRET



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Communist China: Signs of instability and violence are again increasing.

Clashes between rival Red Guard organizations have grown more frequent and severe in several areas. They appear to be particularly virulent in Canton and adjacent areas of Kwangtung Province, and in the southern province of Kwangsi through which the rail line to North Vietnam runs. Much of this trouble probably can be attributed to inflammatory propaganda from Peking; this has grown increasingly militant since mid-March, although the moderate policies accepted in 1967 also continue to be endorsed formally.

Clashes and other indications of instability have not been confined to the relatively few provinces where no "revolutionary committees," the new provincial governing organs, have been set up. Several supposedly "pacified" provinces--Kwangtung is a prominent example--have been beset by continuing problems.

On 20 June, the nationally distributed Shanghai journal Wen Wai Pao stated that splits among leading officials, between "old and new" cadres, and among mass organizations have rendered many provincial revolutionary committees incapable of "effectively grasping the struggle against enemies." This theme has been echoed by editorials in Anhwei, Kiangsu, and Inner Mongolia. In Shanghai itself, posters have appeared attacking the municipal revolutionary committee. [In Hangchow, Chekiang, members of the municipal revolutionary committee reportedly have been involved in brawling.]

A renewed emphasis in national propaganda on a "rectification through struggle" of Communist Party members has contributed to the growing tensions. The precise target of this campaign is not clear,

SECRET

but a recent Shanghai broadcast suggests that the intended victims may be cadres holding leadership positions in mass organizations.

[New poster attacks on leading officials in Peking are a further indication of continuing instability and tension. Diplomats in the capital have reported continuing attacks on Nieh Jung-chen, a politburo member and advanced weapons coordinator, as well as on lesser central and provincial leaders. Other posters denounce alleged attacks on Chou En-lai and Peking city boss Hsieh Fu-chih. Still others call for defense of Mao's wife, Chiang Ching, who has played an increasingly prominent role in the past several months.]

25X1

25X1

2 Jul 68

Central Intelligence Bulletin

4

SECRET

Communist China - Hong Kong: [The seizure of Hong Kong fishermen on 30 June may increase tension between the colony and Communist China.]

[Two Chinese Communist motorized junks entered British waters in Hong Kong's Deep Bay and towed away 14 fishing sampans with approximately 50 persons aboard. A Chinese gunboat stood 1.25 miles offshore during the operation. A Hong Kong police launch challenged the junks, but they refused to stop and warned the launch to stay clear.]

[Almost all fishermen in Hong Kong belong to Chinese Communist fishing communes in order to qualify for fishing rights in waters claimed by China. The Chinese action may have been a result of infraction of commune rules by Hong Kong fishermen. It could also be in retaliation for assistance probably given by the fishermen to illegal emigrants from China.]

25X1

[Hong Kong officials have reportedly decided to take firm action against further "abductions." The chief of the Hong Kong marine police has ordered eight patrol boats into Deep Bay, and the colony's newspapers report that the British will open fire if any future attempts are made to seize fishing sampans.]

25X1

25X1

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Approved For Release 2003/05/19 : CIA-RDP79T00975A011500110001-1

SECRET

Poland: The regime is showing concern over the impact of the internal party struggle on its image abroad, especially in the US.

On 28 June in Washington, Poland's Ambassador Michalowski expressed Warsaw's anxieties over possible new pressures in the US this year to divest Poland of its most-favored-nation trade status. He feared that such action would be interpreted by the regime to be the result of "Jewish pressures," and would provoke a "backlash." Other recent evidence also indicates that Gomulka is increasingly concerned by Poland's deteriorated image abroad and that he may be using the issue against the party's hard-liners.

Michalowski revealed that the regime estimates some 3,000 to 5,000 Polish Jews may wish to leave the country in line with Gomulka's standing offer to permit Jewish emigration to Israel. He said the authorities continue to facilitate such departures, except in the cases of a "few high-ranking officials." This is borne out by recent reports from the Dutch Embassy in Warsaw, which is processing most of the Jewish applicants.

Moreover, Michalowski said flatly that there had been a "decided change for the better" in Poland's domestic political climate as a result of "very strong influence by the leadership." His statement reinforces other indications, such as the marked slowdown since May of anti-Semitic purges, that Gomulka has reasserted some of his lost influence. Michalowski's new air of confidence is significant, because he appeared concerned about his own future before his departure for consultations in Warsaw last month.

Michalowski also stated that many of those purged this spring have been reinstated. Although no evidence supports this assertion, there are signs that Gomulka is making efforts to get the backing of broad elements of the party for a review of some of the earlier purges.

25X1

SECRET

Central America: Nicaragua has reportedly threatened to break up the seven-year-old Central American Common Market if the other member countries do not ratify a pending tariff measure.

The measure, a 30-percent surcharge on imports from outside the Market, has aroused the opposition of business interests in the area. President Somoza imposed it unilaterally, contrary to an earlier agreement, and on various technicalities Nicaragua has temporarily halted goods from other Central American countries at its borders. Some Central American news media see this move as pressure by Somoza that could paralyze the Market. More immediately, Nicaragua's actions could harden opposition to the tariff surcharge in the various Central American legislatures.

The Market's early years were marked by booming economies and increased investment opportunities arising in large part from imposition of a common external tariff. An economic slowdown that began last year, however, is burdening the Market with a trade deficit and impeding further integration progress.

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Argentina: Police had little trouble quelling a series of antigovernment demonstrations on 28 June, the second anniversary of the coup that placed General Onganía in the presidency. Outbreaks led by workers and students in Buenos Aires and several interior cities had the support of some Communists and a variety of political figures, but participation was very limited. Although the workers have threatened further demonstrations in July, the government has made clear that it will not tolerate violence.



25X1

2 Jul 68

Central Intelligence Bulletin

10

SECRET

Secret

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Secret

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